

8 May 2009

Dr Ken Henry
AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Submitted by email: AFTSubmissions@treasury.gov.au

Dear Dr Henry

Australia's Future Tax System

Thank you for the opportunity to provide a submission to the review panel of Australia's Future Tax System. The Australian Council for International Development (ACFID) is pleased to provide a response from its perspective as a peak body within the not-for-profit (NFP) sector and in the spirit of ongoing improvement of the efficiency and effectiveness aimed at benefiting the end recipients of our activities.

About ACFID

The Australian Council for International Development (ACFID) is an independent national association of Australian non-government organisations working in the field of international aid and development (NGDOs). Its membership includes 72 organisations, most of which are registered as charities and as Deductible Gift Recipients (DGRs) under the Overseas Aid Gift Deduction Scheme. A full list of ACFID member organisations is attached as Appendix 1.

The common purpose of ACFID and its members is to promote conditions of sustainable human development in which people are able to enjoy a full range of human rights, fulfill their needs free from poverty, and live in dignity. ACFID assists the work of member organisations by fostering cooperation and coordination in aid programs, promoting best practice and self-regulation through the ACFID Code of Conduct and by providing training and representing the views of our members to Government on a wide spectrum of relevant policy issues.

The Australian Government recognises that Australian NGDOs have expertise and experience in different forms of aid and development service delivery and advocacy. Aid and development NGOs are able to build and utilise their strong links and partnerships in developing countries to effectively engage local communities and make a practical contribution to quality aid and development outcomes.

Currently, 41 NGDOs are accredited with AusAID as partners eligible for Government funding as they are explicitly accepted as professional, well managed, community based organisations that are capable of delivering quality development outcomes. These NGDOs collectively received \$45.8 million of Australian Commonwealth funds through various mechanisms for international aid and development programs in 2008-2009.

The Australian public donated \$779.85 million to aid and development work through Australian NGDOs in 2007. This figure makes up around 81% of the total funds raised by agencies and includes funds raised from donations, fundraisers, bequests and company donations.

ACFID research indicates that 1.23 million Australians were donors to regular supporter programs (child sponsorship or regular donor programs) in 2007. In all, 1.6 million people were involved in supporting an overseas aid and development NGO – either as a regular supporter, by supporting a fundraiser or event or giving a one-off donation. More than 20,800 Australians volunteered their time and skills to the work of overseas aid organisations during the year.

ACFID Submission

This submission has been prepared by ACFID, in consultation with its member agencies, to provide a sector perspective on issues related to the current tax regimes for NFP organisations in the aid and development sector. It seeks to provide conclusions and recommendations for reform in line with the inquiry's terms of reference.

Yours sincerely

Kelly Bruce
Acting Executive Director

EXECUTIVE SUMMARY

There are many practical difficulties in the current application and interpretation of the tax system as it applies to not-for-profit (NFP) organisations which impact on the day-to-day operations of ACFID members.

There have been significant changes in the expected roles, activities and objectives of international aid and development organisations in the past 10-15 years and the tax regime should be able to reflect and support these developments. It is timely to consider the implications of the tax system for the social, governmental and policy expectations for aid and development organisations and NGOs in general.

The tax environment for the NFP sector, and particularly for international aid and development NGOs, remains complex. Both NFP organisations and the Government would benefit from a tax regime that provided clarity and consistency in its application and interpretation. ACFID is ultimately seeking a consistent treatment for all Australian-based aid and development NGOs.

Further, the sector has contributed substantial resources and energy to previous Government inquiries including the Industry Commission Inquiry of 1995, the 2001 Inquiry into the Definition of Charities and Related Organisations and the 2008 Senate Economics Inquiry into Disclosure Regimes for Charity and Not-For-Profit Organisations. ACFID will also be contributing to the Productivity Commission's study into the Contribution of the not-for-profit sector.

Regrettably, little has resulted from these inquiry processes. Whilst the United Kingdom has taken an innovative approach to this field of policy-making, the Australian environment has only grown more complex over time.

The international aid and development sector seeks a commitment from the Government to use the outcomes of this Inquiry to improve the taxation environment for the NFP sector in a comprehensive and long-lasting way.

ACFID also urges the review panel to use this Inquiry to present a strong case to Government for greater clarity and predictability in the taxation system where it governs NFP organisations. In particular, we urge that the circumstances of charities in the aid and development sector are taken fully into account in any regulatory reform.

For ACFID members in particular, the aim of this submission is to ensure that their dealings with Government and their day to day operations are not hampered by an inconsistent approach to determining whether an organisation is or isn't a *charity* or *public benevolent institution*.

TABLE OF CONTENTS

TERMS OF REFERENCE	3
OVERVIEW OF RECOMMENDATIONS	4
1. WHAT IS THE APPROPRIATE TAX TREATMENT FOR NFP ORGANISATIONS, INCLUDING COMPLIANCE OBLIGATIONS?	5
SIMPLICITY AND ACCESSIBILITY OF TAX CONCESSIONS.....	5
PUBLIC BENEVOLENT INSTITUTIONS	6
ADVOCACY AND THE DEFINITION OF A CHARITY	9
DECOUPLING CHARITABLE TAX EXEMPTION FROM CHARITABLE STATUS	12
2. GIVEN THE IMPACT OF THE TAX CONCESSIONS FOR NFP ORGANISATIONS ON COMPETITION, COMPLIANCE COSTS AND EQUITY, WOULD ALTERNATIVE ARRANGEMENTS (SUCH AS THE PROVISION OF DIRECT FUNDING) BE A MORE EFFICIENT WAY OF ASSISTING THESE ORGANISATIONS TO FURTHER THEIR PHILANTHROPIC AND COMMUNITY-BASED ACTIVITIES?	13
APPENDICES	15
APPENDIX 1: LIST OF ACFID MEMBERS	15

Terms of Reference

In its consultation paper, the Inquiry states that it will examine:

- Q7.1 What is the appropriate tax treatment for NFP organisations, including compliance obligations?
- Q7.2 Given the impact of the tax concessions for NFP organisations on competition, compliance costs and equity, would alternative arrangements (such as the provision of direct funding) be a more efficient way of assisting these organisations to further their philanthropic and community-based activities?

Overview of Recommendations

In relation to terms of reference, Q7.1 and Q7.2, ACFID recommends that:

- Tax concessions and exemptions should provide support to Australia's NFP sector rather than create a barrier by continuing to institute a complex and inconsistent framework;
- Any changes to the tax regime must give consideration to those small and emerging NFPs that are administered by very few staff and/or volunteers. The response needs to include educative and supportive improvements to the tax system that will assist such organisations to meet their obligations without an onerous administrative burden or the requirement for specialist legal advice;
- Access to the FBT exemption for Public Benevolent Institutions must be retained under any changes to the tax system;
- The present FBT exemption under PBI status should be indexed to average weekly earnings and the indexation should be backdated to the original year when the capped threshold was set at \$30,000 per employee (2001);
- An additional category for Non Government Development Organisations be created within the Section 57A of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA) alongside other categories under S57A;
- Precise criteria for eligibility for the proposed new category be specified within the Section 57A of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA);
- Reforms to the regulatory environment for NFPs should be underpinned by a contemporary definition of a charity which recognises that charities contribute to policy development and that there is a range of strategies, including advocacy that charities use to achieve their dominant purpose;
- Guidelines on advocacy and political activity, similar to those provided by the Charity Commission for England and Wales, must be developed for the Australian context;
- An independent Federal regulatory body, similar to the Charity Commission for England and Wales, should be established to administer the NFP sector and to take on the responsibility for determining charitable status and for registering and supervising charities.

1. What is the appropriate tax treatment for NFP organisations, including compliance obligations?

Simplicity and Accessibility of Tax Concessions

There is a range of concessions in the tax law available to NFP organisations; however, few of these concessions apply to all of the estimated 700,000ⁱ organisations in the NFP sector.

According to the Australian Taxation Office (ATO), most NFP organisations are not registered in the revenue system because they have self-assessed that they are income tax exempt and/or do not have any GST, fringe benefits tax (FBT) or employer obligationsⁱⁱ. Unless these not-for-profits have tax obligations, there is no need for these organisations to interact with the ATO, or to furnish the ATO with information.

However, for those NFP organizations that are required to interact with the ATO, the existing variety of sub-divisions, for taxation purposes, in the NFP sector is overly complex.

The large variety of taxation benefits, combined with the variety of acceptable legal forms and the differentiated sub-divisions of NFP organisations make the regulatory model appear very complex. Specifically, in those sub-divisions of the NFP sector that give an organisation some type of enhanced taxation benefit, such as FBT rebates or exemptions, as opposed to merely exempting them from income taxⁱⁱⁱ.

As the ATO itself has written, “the range of taxation concessions, recognition of a wide variety of legal forms, interplay between State, Territory and Commonwealth legislation, limited disclosure of information and different expectations of what information is disclosed dependant upon a particular taxation concession granted; make the non-profit sector challenging to administer and challenging for the public to understand”^{iv}.

Part of ACFID’s service to its members, and increasingly to non-members seeking our advice, is to assist organisations and individuals to understand the requirements of the tax system and how to navigate the system. More often than

ⁱ Lyons, M. and Hocking, S. 2000, Dimensions of Australia’s Third Sector, Centre for Australian Community Organisations and Management (CACOM), University of Technology, Sydney.

ⁱⁱ The Australian Taxation Office, 2008, Submission to the Senate Economics Committee Inquiry into Disclosure regimes for charities and not for profit organisations, Available at: http://www.aph.gov.au/senate/committee/economics_ctte/charities_08/submissions/sub143.pdf

ⁱⁱⁱ The Australian Taxation Office, 2008, Submission to the Senate Economics Committee Inquiry into Disclosure regimes for charities and not for profit organisations, Available at: http://www.aph.gov.au/senate/committee/economics_ctte/charities_08/submissions/sub143.pdf

^{iv} The Australian Taxation Office, 2008, Submission to the Senate Economics Committee Inquiry into Disclosure regimes for charities and not for profit organisations, p. 7, Available at: http://www.aph.gov.au/senate/committee/economics_ctte/charities_08/submissions/sub143.pdf

not, individuals and small and medium-sized organisations, find that, for example the application procedures for charitable endorsement, are too complex to undertake without specialist legal assistance.

Such confusion abounds that the complexity of the regulatory system adds considerably to the burden of compliance and administration for NFP organisations. Many NFP organisations have limited resources for managing their obligations under the tax system and rely heavily on volunteers (who traditionally have a high turnover rate)^v.

Similarly, as acknowledged in the Australian Taxation Office's Compliance Program 2008-09^{vi}, even though "non-profit organisations show a strong desire to get it right, they often have a low level of knowledge about how the tax and superannuation systems work".

ACFID's strong view is that tax concessions and exemptions should provide support to Australia's NFP sector rather than create a barrier by continuing to institute a complex and inconsistent framework.

Any changes to the tax regime must give consideration to those small and emerging NFPs that are administered by very few staff and/or volunteers. The response needs to include educative and supportive improvements to the tax system that will assist such organisations to meet their obligations without an onerous administrative burden or the requirement for specialist legal advice.

Public Benevolent Institutions

The area of greatest uncertainty and inconsistency for our member agencies, international aid and development NGOs, has been the application of Public Benevolent Institution (PBI) status within the sector.

An organisation that qualifies for PBI status is entitled to a number of concessions under the various tax laws, including:

- Exemption from income tax;
- Exemption from Fringe Benefits Tax (FBT);
- Gift deductibility status (subject to certain further conditions).

It is the exemption from FBT that makes PBI endorsement so important to the sector as it provides an exemption from FBT on the first \$30,000 grossed up fringe benefits of salary provided to an employee of a PBI.

Salary packaging through the provision of fringe benefits is considered highly crucial to the successful recruitment and retention of quality staff to our sector.

^v Australian Taxation Office, 'Compliance Program 2008-09', Australian Taxation Office, Canberra, August 2008 http://www.ato.gov.au/content/downloads/COR_0015516_CP0809.pdf

^{vi} Australian Taxation Office, 'Compliance Program 2008-09', Australian Taxation Office, Canberra, August 2008 http://www.ato.gov.au/content/downloads/COR_0015516_CP0809.pdf

The provision of fringe benefits to attract and retain staff has been particularly important for the aid and development sector, which must compete against the often higher incomes that are offered by Government and private development organisations.

Without the FBT exemption, many NGOs would face acute financial difficulty, would have difficulty retaining staff and would ultimately need to reduce program activity or increase reliance on Government funding.

Similarly, the removal of PBI status for aid and development organisations, or changes to the PBI regime without a FBT exemption, would impose an ongoing and severe financial burden on the sector.

The present FBT exemption has remained at the capped threshold of \$30,000 per employee since 2001. The value of this exemption has eroded over time due to inflation, CPI increases and changes to the personal tax rate.

The indexing of the FBT exemption cap to average weekly earnings would be a simple measure to ensure that the FBT exemption is maintained in line with wage movements. This would meet the Government's objective of assisting PBIs to attract and retain quality staff.

The present FBT exemption under PBI status should be indexed to average weekly earnings and the indexation should be backdated to the original year when the capped threshold was set at \$30,000 per employee (2001);

PBI and its Application in the Aid and Development Sector

In ACFID's^{vii} submission to the 2001 Charities Definition Inquiry, a principal concern expressed was the inconsistent application and interpretation of the terms *charity* and *public benevolent institution* for different legal and administrative purposes. In the intervening eight years, the need for consistency of treatment of bona fide NGDOs has further increased.

For example, under current ATO interpretations of taxation law, after having been accepted as an "approved organisation" by AusAID, an NGDO applicant for Public Benevolent Institution (PBI) status may be refused on the grounds that it is not strictly delivering benevolence to people in need.

The ATO recognises that the work of certain aid and development NGOs "arouses compassion in the community" as required in the PBI definition. However, its decision-making in relation to PBI status has focused on a narrow interpretation and understanding of benevolence and providing "relief" to people in need. The ATO's recent approach has been to define "development" activities and programs as ineligible because they are perceived not to be principally providing such "relief".

^{vii} In 2001, ACFID was registered as Australian Council for Overseas Aid (ACFOA)

In these recent rulings, the ATO has adopted a more strictly literal interpretation of the term “benevolent relief”. The ATO definition of “benevolent relief” is the same as the AusAID definition of “welfare”, that is, activities that provide direct assistance to individuals because of need, rather than to address the root causes of those needs. This puts it at odds with the meaning of “development” as used in the overseas aid and development sector. AusAID (and all professional development organisations) define development as working with local communities to address the causes of poverty and improve conditions in a sustainable way.

The ATO approach runs directly counter to the strong internationally accepted evidence base around “what works” in terms of achieving sustainable social and economic development in poor communities. It negates a range of development activities that AusAID and the sector regard as both pivotal and fundamental to Australia’s poverty reduction efforts in developing countries.

In fact, an organisation undertaking what the ATO defines as “benevolent relief” may not pass the AusAID NGO accreditation process, and therefore not be eligible for AusAID funding for those activities, and would also fail the process for obtaining tax deductibility for community donations^{viii}

Despite the long practice of the ATO providing PBI status to a number of NGOs, the application of Section 57 of the FBT Act 1986 with respect to a wider group of these agencies has continued to generate confusion and has led to unintended discriminatory results. For this reason, ACFID strongly recommends that a statutory provision be made to specifically include eligible international aid and development NGOs within Section 57.

Such a statutory change would address the anomaly whereby a range of NGOs are excluded from PBI status despite often having virtually identical organisational features to those which are granted that status. It would also ensure that there is an alignment across Government in terms the nature of development work and the objectives of Australia’s aid program.

In 2001, ACFID expressed serious concern at the difficulty experienced by its member agencies in interpreting the ATO’s application of Tax Determination 93/11^{ix}. We note that, since 2003, Tax Ruling 2003/5 has superseded TD 93/11. Notwithstanding this change, the pattern of variable application of the eligibility criteria has continued. Tax Ruling 2003/5 has not provided a definitive statement

^{viii} McMullan, The Hon B, Letter to the Treasurer, The Hon Wayne Swan MP, 2008

^{ix} This TD 93/11 has been superseded by TR2003/5 and the current the eligibility criteria for a PBI applicant organization are:

- is set up for needs that require benevolent relief
- relieves those needs by directly providing services to people suffering them
- is carried on for the public benefit
- is non-profit
- is an institution, and
- its dominant purpose is providing benevolent relief.

of governing principles that could rectify the weakness. As a result, the intent of this part of the FBT Act has not been fulfilled and dissatisfaction across the sector about the lack of clear guidelines has increased.

The application of the criteria in Tax Ruling 2003/5 again generated concern across the sector between 2005-2009. A restrictive interpretation of the “direct” relief criterion was identified as unusual in two respects:

- That the main features of at least one agency deemed to lose PBI status were not dissimilar from many other PBI holders with respect to the “relief” criterion; and
- That the restrictive definition was seen within Government to be at odds with the statement of purpose for its own overseas aid and development program, as identified by both the Government^x and AusAID’s Executive^{xi}.

Recommendations

In terms of eligibility for Section 57A of the FBT Act, ACFID believes that these distortions could be readily overcome by the following steps:

- An additional category for Non Government Development Organisations be created within the Section 57A of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA) alongside other categories under S57A;
- Precise criteria for eligibility for the proposed new category be specified within the Section 57A of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA).

Advocacy and the Definition of a Charity

Australian charities perform vital functions, both domestically and overseas. ACFID member organisations are charities working in the international aid and development field contributing to, among many other activities, the relief of poverty, provision of education, environmental protection, defending human rights, improvement of health and the provision of emergency relief.

As such, ACFID members are engaged in assisting and supporting some of the world’s poorest and most disadvantaged people and communities.

The sector also makes a central contribution to promoting the effective operation of democratic political systems, particularly in assisting the empowerment of citizens to express their views and to influence public policy and service delivery matters.

^x McMullan, The Hon B, Letter to the Treasurer, The Hon Wayne Swan MP, 2008

^{xi} Based on several discussions with AusAID’s Assistant Director General for Community and Business Partnerships during February and March 2008.

Advocacy is a crucial element in the relief of poverty and the promotion of development because it raises public awareness of the issues and enables civil society organisations to participate in the formation of Government policy towards the goal of long-term, sustainable human development. It is therefore not only acceptable, but essential, that international aid and development organisations also seek to engage in advocacy to further the relief of poverty and to assist its overseas partner organisations. Advocacy activities should not detract from their status as ‘charities’, but rather reinforce it.

One of the ways in which a Government can encourage and sustain a strong aid and development sector is to ensure that there are laws and regulatory arrangements that are supportive of its work and role^{xii}.

The Charity Commission for England and Wales has permitted charities – including human rights charities – to lobby and to engage in political campaigning when these activities could be said to be an ancillary means for the achievement of the bodies’ greater charitable objectives^{xiii}.

In fact, according to the Commission’s publication, CC9 “Speaking Out - Guidance on Campaigning and Political Activity by Charities”, charities can campaign for a change in the law, policy or decisions where such change would support the charity’s purposes. Charities can also campaign to ensure that existing laws are observed^{xiv}.

Furthermore, CC9 supports the idea that campaigning, advocacy and political activities are all legitimate and valuable activities for charities to undertake:

“Many charities have strong links to their beneficiaries, and more generally to their local communities, commanding high levels of public trust and confidence, and representing a myriad of diverse causes. Because of this, they are uniquely placed to campaign and advocate on behalf of their beneficiaries”^{xv}.

The Commission’s summary of the matter^{xvi} is that a charity can engage in political activity (i.e. advocacy) if:

^{xii} Lyons M (2003) ‘The Legal and Regulatory Environment of the Third Sector’, Asian Journal of Public Administration, Vol 25, No. 1 June 2003.

^{xiii} The Charity Commission for England and Wales, Speaking Out - Guidance on Campaigning and Political Activity by Charities, CC9, Available at: <http://www.charity-commission.gov.uk/publications/cc9.asp>

^{xiv} The Charity Commission for England and Wales, C Speaking Out - Guidance on Campaigning and Political Activity by Charities, CC9, Available at: <http://www.charity-commission.gov.uk/publications/cc9.asp>

^{xv} The Charity Commission for England and Wales, C Speaking Out - Guidance on Campaigning and Political Activity by Charities, CC9, Available at: <http://www.charity-commission.gov.uk/publications/cc9.asp>

^{xvi} CC9 – at paragraph 14.

- There is a reasonable expectation that the activity concerned will further the stated purposes of the charity, and so benefit its beneficiaries, to an extent justified by the resources devoted to the activity;
- The activity is within the trustees' powers available to achieve those purposes;
- The activity is consistent with the guidelines (i.e. it serves and is subordinate to the charity's purpose);
- The views expressed are based on a well-founded and reasoned case and are expressed in a responsible way.

In Australia, there have been significant improvements to the way in which the Government engages with the NFP sector in general, including the elimination of gagging clauses from service delivery contracts. Also, the exploration of a Compact between the Government and the sector as well as an enhanced focus on social inclusion has added to the improvements. An ATO ruling in 2005 allowed charities to undertake political activities that are in aid of charitable purposes^{xvii}. However, how much political lobbying is considered appropriate and exactly what a charitable purpose is remains a grey area.

The outcome is that there is little or no guidance on the issue of advocacy and there is inadequate case law that deals directly with the issue. As such, charities lack guidance on what kind of political activities they can undertake without risking their charitable status. Similarly, the ATO is forced to become an arbitrator in this arena and to seek clarity through test cases.

Recommendations

ACFID, therefore, urges the panel to consider the particular needs of charities in the aid and development sector when making recommendations about a future tax system.

It is essential that reforms to the regulatory environment for NFPs are underpinned by a contemporary definition of a charity. Such a definition needs to recognise that charities contribute to policy development and that there is a range of strategies that charities use to achieve their dominant purpose. This range of activities should permit advocacy activities and allow for the development of new strategies into the future to deal with emerging poverty reduction and development challenges.

ACFID also urges that guidelines similar to those provided by the Charity Commission for England and Wales be developed for the Australian context.

^{xvii} Australian Taxation Office, 2005, Taxation Ruling TR 2005/21

Decoupling Charitable Tax Exemption from Charitable Status

Consistency of tax regulation for NFPs could also be improved by developing an independent federal regulatory body for the NFP sector, similar to that recommended by the 2001 *Inquiry into the Definition of Charities and Related Organisations*^{xviii} for charities.

Such a body could operate in a similar manner to the Charity Commission for England and Wales^{xix} and could take on the responsibility for determining charitable status and for registering and supervising charities.

Effectively this could also achieve the decoupling of charitable tax exemption from charitable status and free the tax-collecting agency (the ATO) from its obligation to interpret charitable purpose and determine whether or not an organisation's objectives and activities can be construed as charitable^{xx}.

ACFID recommends that the means employed by the proposed regulatory body for NFPs to determine charitable status be objective, consistent, simple to administer and flexible in response to changing social demands on charities.

Recommendations

- ACFID urges the development of a contemporary definition of a charity;
- ACFID urges that the unique needs of charities in the aid and development sector be specifically recognised within the proposed national regulatory body for NFP entities;
- ACFID is of the view that means employed by the proposed regulatory body for NFPs to determine charitable status are objective, consistent, simple to administer and flexible in response to changing social demands on charities.

^{xviii} Report of the Inquiry into the Definition of Charities and Related Organisations, June 2001.

^{xix} The Charity Commission for England and Wales, Available at: <http://www.charity-commission.gov.uk>

^{xx} O'Halloran, K. 2009 "Overview and Themes of Modernising Charity Law Since 2001 in Europe (mainly, England & Wales, Ireland, Northern Ireland and Scotland): the Critical Drivers, Barriers and Outcomes of Charity Law Reform; some Unresolved Issues and Future Challenges, presented at Modernising Charity Law Conference, QUT, 16th April 2009.

2. Given the impact of the tax concessions for NFP organisations on competition, compliance costs and equity, would alternative arrangements (such as the provision of direct funding) be a more efficient way of assisting these organisations to further their philanthropic and community-based activities?

NFP organisations are currently exempt from many taxes and, in addition, some are able to offer tax deductibility to those who make donations to them. Such concessions and exemptions have been designed in the form of indirect Government funding so that NFP organisations can deliver a range of services and provide support to those in greatest need.

Tax policy can thus be designed both to encourage public support for NFP organisations and as a source of indirect funding.

The Industry Commission examined charitable organisations in its 1995 report^{xxi} and identified three main advantages, from the NFP sector perspective, for tax expenditures over direct funding.

Indirect funding:

1. Promotes pluralism by giving the community the opportunity to direct assistance to specific organisations and also provides funding for a number of organisations that may miss out on direct Government funding;
2. Is comparatively administratively simple compared with the compliance costs of administering Government funding^{xxii}; and
3. Provides “invisible” assistance and greater security for those receiving tax concessions than they might have if they were funded from Government expenditure.

In 2007, the Australian public donated \$779.85 million to aid and development work through Australian NGOs. This figure makes up around 81% of the total funds raised by those agencies and includes funds raised from donations, fundraisers, bequests and company donations.

As such, the aid and development sector does not rely substantially on, and is not maintained primarily by, direct Government funding. In fact, a large number of

^{xxi} Industry Commission, 1995, *Charitable Organisations in Australia*, Report No 45, AGPS, Canberra

^{xxii} Ryan, Christine M. and Newton, Cameron J. and McGregor-Lowndes, Myles (2008) *How Long Is A Piece of Red Tape? The Paperwork Reporting Cost of Government Grants*, CPNS Working Paper No. 39.

ACFID members receive no direct Government funding at all. The sector does, however, rely on indirect Government support through the taxation system.

A significant change to the tax system which reduced the indirect funding received by the sector would have a significant impact on the sustainability of aid and development organisations in Australia and on the impact and activities of these organisations in an international and domestic context.

Similarly, if the tax system was re-designed to reduce indirect Government funding and to compensate with direct funding, the independence of the sector could be compromised and the administrative burden of compliance could be further increased.

A move towards direct funding, in preference to indirect funding, would require a significant increase in Government financial support of the aid and development sector, but would expose the sector to greater unpredictability and insecurity of funding. This would ultimately impact on program delivery to those most in need.

The activities of ACFID members in carrying out international aid and development programs are of significant national and international importance to Australia.

Appendices

Appendix 1: List of ACFID Members

Current members

All ACFID members are also signatories to the [ACFID Code of Conduct](#)

Full members as at 30 April 2009.

act for peace - NCCA
Action Aid Australia (For Those Who Have Less)
Adventist Development and Relief Agency
Afghan Australian Development Organisation
Anglican Board of Mission - Australia Limited
AngliCORD
Archbishop of Sydney's Overseas Relief & Aid Fund
Assisi Aid Projects
Austcare
Australasian Society for HIV Medicine
Australia for UNHCR*
Australian Business Volunteers
Australian Conservation Foundation
Australian Doctors International Inc
Australian Federation of AIDS Organisations
Australian Foundation for the Peoples of Asia and the Pacific
Australian Lutheran World Service
Australian Medical Aid Foundation*
Australian Relief and Mercy Services
Australian Reproductive Health Alliance
Australian Respiratory Council
Australian Volunteers International
Baptist World Aid Australia
Burnet Institute
CARE Australia
Caritas Australia
ChildFund Australia
CBM Australia
Credit Union Foundation Australia
Foresight (Overseas Aid and Prevention of Blindness)
Friends of the Earth (Australia)
Habitat for Humanity Australia
HealthServe Australia*
International Centre for Eyecare Education
International Christian Aid Relief Enterprises Limited

International Help Fund Australia Ltd
International Nepal Fellowship (Aust) Ltd
International Women's Development Agency
Interplast Australia, Royal Australasian College of Surgeons
Lasallian Foundation*
Live & Learn Environmental Education
Marist Mission Centre
Marist Solidarity Australia
Mercy Works Inc.
Mission World Aid Inc.
Muslim Aid Australia
Nusatenggara Association Inc.
Opportunity International Australia
Oxfam Australia
Oz GREEN - Global Rivers Environmental Education Network Australia Inc.
Partners Relief and Development Australia*
PLAN International Australia
Project Vietnam
Quaker Service Australia
RedR Australia
RESULTS Australia
Salesian Society Incorporated
Save the Children Australia
Sexual Health & Family Planning Australia
The Fred Hollows Foundation
The Hunger Project Australia
The Leprosy Mission Australia
The Spastic Centre
TEAR Australia
Transparency International Australia
Union Aid Abroad - APHEDA
UnitingWorld
WaterAid Australia
World Education Australia Limited
World Vision Australia
WWF-Australia

Consulting Affiliates

Australian Red Cross (also a signatory to the ACFID Code of Conduct)
Refugee Council of Australia

* denotes ACFID provisional full member